SUPREME COURT, U.S.
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No. 99-

IN THE

Supreme Court of the United States

GMA ACCESSORIES, INC.,

Petitioner,

v.

GOOTNICK ENTERPRISES, INC. d/b/a
IT'S ALL GREEK TO ME CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Does an injunction that does not specifically mention non party accomplices to trademark infringement, nevertheless apply to them under Federal Rule of Civil Procedure 65(d)?

Can a court vacate a preliminary injunction against the supplier of infringing merchandise without evidence that the infringement has ended as a sanction for the plaintiff's notifying infringing accomplice non parties that they were bound by the preliminary injunction?

PARTIES TO THE PROCEEDING

The caption contains all parties to the proceeding. Gootnick Enterprises, Inc. d/b/a It's All Greek To Me Corporation is the only party opposing the appeals because all other party defendants were dismissed from the action by way of consent judgment and acceptance of an offer of judgment.

STATEMENT PURSUANT TO RULE 29.5

Petitioner, GMA Accessories, Inc., has no parent corporation and no publicly held company owns 10% or more of its stock.

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Petitioner, GMA Accessories, Inc. ("GMA"), respectfully requests that a writ of certiorari be issued to review the Order of the United States Court of Appeals for the Second Circuit in this case.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Second Circuit is unreported but can be found at *GMA Accessories, Inc. v. Positive Impressions* (2d Cir. 1999) 1999 WL 335377 (App. A). The opinion of the District Court in *GMA Accessories, Inc. v. Positive Impressions*, Civ. No.: 98 Civ. 3710 (WK) is not published (App. C).

STATEMENT OF JURISDICTION

The judgment of the United States Court of Appeals for the Second Circuit ("Court of Appeals") was entered on May 18, 1999. The Court of Appeals denied a timely petition for rehearing and petition for rehearing *en banc* on July 20, 1999 (App. E).

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

RULE INVOLVED

Federal Rule of Civil Procedure 65(d) provides, in pertinent part, "Every Order granting an injunction . . . is binding only upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the Order by personal service or otherwise".

STATUTES INVOLVED

The Lanham Trademark Act of 1946 provides in pertinent part,

> Any person who shall without the consent of the registrant-(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(1).

> Any registration issued under the Act . . . or of a mark registered on the principal register . . . shall be prima facie evidence of the . . . registrant's exclusive right to use the registered mark in commerce . . .

15 U.S.C. § 1115(a).

> The several courts . . . shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant.

15 U.S.C. § 1116(a).

CONSTITUTIONAL PROVISION INVOLVED

Article I, Section 8[8] of the United States Constitution, provides that

> The Congress shall have Power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

STATEMENT OF THE CASE

This case involves a radical departure from the protections afforded by the Lanham Act and this Court's interpretations of those protections in a case of first impression where an infringer's sales companies were found to be immune from a preliminary injunction by virtue of their being non parties.

The fundamental question in this case is whether a valid injunction that does not specifically mention non party accomplices to trademark infringement, nevertheless applies to them under Federal Rule of Civil Procedure 65(d). If they can be bound under the Rule, then the plaintiff's lawyer was not abusing the preliminary injunction by notifying them of the injunction and the sole basis for the lower court's order would be removed.

Without conducting a factual inquiry as to whether or not the non-parties that were so notified of the injunction were acting in concert or in participation with the defendant supplier, both the District Court and the Court of Appeals held that it was, as a matter of law, improper to express to non-parties that they could be bound by an injunction.

The remedy for the failure of plaintiff to forecast this unique view by the lower courts was that the original injunction that

had been entered against the primary defendant would be vacated so that infringement could continue and it has continued — the defendant is today profiting immensely by selling knock offs to its infringing sales companies.

BACKGROUND

In order to stop blatant copying of an exact replica of GMA's FLOPPY FRIENDS registered trademark, on July 22, 1998 the District Court issued a detailed temporary injunction against the supplier of the infringing bean bag toys and one sale company found to be using the FLOPPY FRIENDS name to advertise the knock offs on the internet. The injunction prohibited those bound from *inter alia* "possessing, receiving, manufacturing, distributing, advertising, promoting . . . a copy or colorable imitation of registered trademark". (App. D).

It's Greek To Me Corporation was forced to admit that it and its non-party sales companies, 14,000 in number, were utilizing the name "Floppy Friends" in color catalogs to distribute, market and sell knock offs of GMA's popular line of Floppy Friends® brand bean bag animals.

The Court continued the temporary injunction after a hearing held on July 29, 1998 wherein:

> all defendants indicated that they had no objections as to the entry of such an injunction pending resolution of the underlying claims. Accordingly, we grant plaintiff's motion and issue a preliminary injunction enjoining defendants from using the phrase "Floppy Friends" subject to the exceptions made on the record of oral argument.

(App. C). It is undisputed that the sole exception was that party defendant It's Greek To Me Corporation did not have to destroy

all of its existing infringing catalogs but could place stickers over the infringing names in the catalogs in order to make the catalogs in compliance.

Defendant moved to vacate because some of its sales companies had been notified that they could not continue infringing. In opposition, overwhelming evidence was presented to the district court that the sales companies who are acting in concert with the defendant were themselves infringing the Floppy Friends trademark. Regardless, the district court vacated the entire injunction purely as a sanction for the lawyer's act of notification. There was no evidence in the record that the defendant infringer had stopped supplying the infringing merchandise to its sales companies.

The Court of Appeals affirmed the district court, finding that it was not an abuse of discretion to vacate a valid injunction as a sanction for the lawyer's notification to non parties. Implicit in the Court of Appeals decision is that the injunction, when ordered, could not apply to the non party accomplices unless it specifically identified them in the Order. The Court of Appeals had before it the exact same record that the district court had, and was thus aware of the infringing acts of the non party sales companies.

To further support its decision to vacate, the Court of Appeals distinguished between the language contained in the temporary injunction signed on July 22, 1998 ("TRO") (App. D) and that in the Memorandum and Order granting plaintiff's preliminary injunction entered on July 31, 1998 (App. C).

Whether or not the TRO language remained in force is germane only to the Court of Appeals' focus on the word "purchases" in the notification letter. The TRO made it illegal for infringing merchandise to be "received", whereas the July

31 Order is silent as to this. But the lower court's September 28, 1998 Order (App. F) stated that "defendants did not oppose the plaintiff's motion and in fact consented to a preliminary injunction agreeing to discontinue use of the mark *as set forth in the Order to Show Cause*". It would surely have been improper for defendant's sales companies to continue to purchase merchandise marked with the name Floppy Friends for purposes of resale.

The Court of Appeals is also under the misapprehension that the silence in the July 31st Order as to its application to non-parties means that the District Court somehow opted out of Federal Rule of Civil Procedure 65(d). But Federal Rule of Civil Procedure 65(d) which was specifically included in the July 22 TRO, applies as a matter of law and including the specific reference that it applies to those acting in concert with defendants would be redundant.

Importantly, the District Court found that the preliminary injunction against the party defendant was necessary to prevent irreparable harm to the plaintiff and that the plaintiff was likely to succeed on the merits of the case (App. D). We respectfully submit that it was error for the courts to vacate this preliminary injunction against the party defendant based upon a finding that the sales companies could not be bound.

The sales companies that were provided with this notification were admittedly participants in the defendant's massive infringement scheme that the defendant was preliminarily enjoined from continuing. By ignoring this conspiracy, the District Court and then the Court of Appeals were unconcerned with the complicity between the sales companies and the defendant focusing instead on a misapprehension that the non-parties could not under any circumstances be bound by the preliminary injunction unless they were specifically named therein.

REASONS FOR GRANTING THE WRIT

I.

THE COURT OF APPEALS HOLDING WOULD FOR THE FIRST TIME EVER ALLOW ORDERS TO BE VIOLATED BY THE COOPERATION OF CO-CONSPIRATORS.

It is critical that for an order, particularly injunctions prohibiting the use of a trademark, to be effective, that non-parties such as sales companies for an infringing supplier not be permitted to continue the very infringement that the court found to be illegal. *Regal Knitwear v. Board*, 324 U.S. 9, 14 (1945). The Court of Appeals holding cannot stand because it allows those that a court seeks to enjoin to actually commit the activity prohibited by the court as long as it does so by the involvement of those that are not actual parties to the action. Not only does this conflict with Federal Rule of Civil Procedure 65(d) and the precedent set by this Court, but it jeopardizes the enforceability of every Order ever entered by making it legal for violation of the Order to take place in instances where non-party co-conspirators are involved by the party defendant. This violates a well settled principal that predates the Federal Rules that a non-party may not bring to pass what the Court had the power to forbid through a preliminary injunction. *In Re Lennon*, 166 U.S. 548 (1898).

II.

THE DECISION BELOW CONFLICTS WITH THE FEDERAL RULES OF CIVIL PROCEDURE, THIS COURT'S PRIOR RULINGS AND THE OPINIONS OF OTHER CIRCUITS.

The Court of Appeals and the lower court were of the mistaken belief that non-parties could not under any circumstances be bound by a preliminary injunction. They utilized this misapprehension of the law to find that the plaintiff abused the preliminary injunction by stating to the non-parties that they should "cease and desist any violation of the preliminary injunction". The courts ignored evidence that the non-parties that were so notified were acting in concert with the party defendant in the dissemination of millions of infringing merchandise and advertisements throughout the country.

This finding conflicts with the very language of Federal Rule of Civil Procedure 65(d), interpreted by *Regal Knitwear v. Board*, 324 U.S. 9, 14 (1945). There, this Court stated that "in essence it is that defendant may not nullify a decree by carrying out prohibited acts through aiders and abetters, although they were not parties to the original proceeding." *Id.* The First Circuit Court of Appeals, Third Circuit Court of Appeals and Eighth Circuit Court of Appeals are in accord with this principal all finding that one bound by a preliminary injunction may not circumvent its application by commissioning the intelligent cooperation of others. *AT&T v. Winback*, 42 F.3d 1421 (3d Cir.), *cert. denied*, 514 U.S. 1103 (1995); *Crane Boom Life Guard Co. v. Saf-T-Boom Corporation*, 362 F.2d 317 (8th Cir.), *cert. denied*, 386 U.S. 908 (1967); *Reich v. United States*, 239 F.2d 134, 137 (1st Cir.), *cert. denied*, 352 U.S. 1004 (1957).

In fact, the Second Circuit Court of Appeals prior to the decision by the instant panel, had also been of the opinion that a preliminary injunction need not specifically mention that non-parties are bound because Federal Rule of Civil Procedure 65(d) binds them as a matter of law to the injunction when they are in privity. *Brock v. Casey Truck Sales, Inc.*, 839 F.2d 872, 874, n.1 (2d Cir. 1988); *Vuitton et Fils S.A. v. Carousel Handbags*, 592 F.2d 126, 130 (2d Cir. 1979); *United States v. Ross*, 302 F.2d 831, 834 (2d Cir. 1962); *United States v. Schine*, 260 F.2d 552 (2d Cir.), *cert. denied*, 358 U.S. 934 (1959); *United States v. Porhownik*, 182 F.2d 829 (2d Cir.), *cert. denied*, 340 U.S. 825, *reh'g denied*, 340 U.S. 885 (1950).

We respectfully submit that it was error for the lower court to refuse to conduct a factual inquiry as to the relationship between the sales companies and the party defendant relying only upon the notion that a non-party could not possibly be bound by the injunction in the instant decision of first impression — to vacate the original injunction as punishment for the plaintiff's notification by letter to the sales companies that they should not continue purchasing or selling infringing merchandise.

III.

THE DECISION BELOW ABOLISHES AN IMPORTANT CONSTITUTIONALLY AND FEDERALLY PROTECTED RIGHT.

By allowing a perfectly proper injunction to be vacated against a trademark infringer, the Court of Appeals has abolished the trademark protection afforded by the Lanham Act and the United States Constitution to a trademark that has been on the principal register of the United States Patent and Trademark office since 1983. Congress has modified the Lanham Act on several occasions to improve that protection. *See* S. Rep. No. 1333, 79th Cong. 2d Sess., 3 (1946); 15 U.S.C. § 1114.

The defendant herein and its sales companies are now permitted to do just what Congress has prohibited as a result of a Court of Appeals ruling that is based on unsound grounds. This *ad hoc* abolition of such a fundamental federally protected right is a serious breach of constitutional law that is in desperate need of review by this Honorable Court. The trademark law fosters fair competition precluding those that do not participate in the creation of the mark from capitalizing on another's creativity and capital expenditure in popularizing the mark. Ch. R. Rep. No. 944, 76th Cong. 1st Sess., 3 (1939); *Park'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1995); *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844, 854 n.14 (1982).

These principals are as much ingrained in the history of our democracy as any intellectual property right, securities law, antitrust regulation, environmental regulation, or property right. U.S. Constitution, Article I, Section 8. The lower court should not be allowed to deprive the plaintiff of its trademark right on a basis that itself conflicts with prior precedent of this Court and the Federal Rules of Civil Procedure.

CONCLUSION

Wherefore, it is respectfully requested that the petition for a writ of certiorari be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A — SUMMARY ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT DATED AND FILED MAY 18, 1999

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

SUMMARY ORDER

* * *

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 18th day of May, one thousand nine hundred and ninety-nine.

Present: HONORABLE AMALYA L. KEARSE,
HONORABLE GUIDO CALABRESI,
Circuit Judges,

HONORABLE CHARLES S. HAIGHT, JR.
District Judge*.

No. 98-9558

GMA ACCESSORIES, INC.,

Plaintiff-Appellant,

– v. –

---

* Honorable Charles S. Haight, Jr., of the United States District Court for the Southern District of New York, sitting by designation.

Appendix A

POSITIVE IMPRESSIONS, INC., FLOPPY FRIENDS, JIM MAYFIELD and JOHN FESTA,

Defendants,

ITS GREEK TO ME CORPORATION,

Defendant-Appellee.

* * *

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the record from the United States District Court for the Southern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged, and decreed that the order of said District Court vacating preliminary injunction be and it hereby is affirmed.

Plaintiff GMA Accessories, Inc. ("GMA"), appeals principally from an order of the United States District Court for the Southern District of New York, Whitman Knapp, *Judge*, vacating a preliminary injunction against defendant Its Greek To Me Corporation ("Greek"). On appeal, GMA contends, *inter alia*, that the order of vacatur should be reversed on the ground that the district court did not make findings of fact as to GMA's continued entitlement to a

preliminary injunction or as to changed circumstances sufficient to warrant vacatur. We disagree.

"The award of an interlocutory injunction by courts of equity has never been regarded as strictly a matter of right, even though irreparable injury may otherwise result to the plaintiff." *Yakus v. United States*, 321 U.S. 414, 440 (1944); *see also Brotherhood of Locomotive Engineers v. Missouri-Kansas-Texas R.R.*, 363 U.S. 528, 531-32 (1960). The ultimate question on appellate review of a district court's granting, denial, or modification of a preliminary injunction is whether or not the court abused its discretion. *See, e.g., Doran v. Salem Inn, Inc.*, 422 U.S. 922, 931-32 (1975); *Sierra Club v. United States Army Corps of Engineers*, 732 F.2d 253, 256-57 (2d Cir. 1984); *Coca-Cola Co. v. Tropicana Products, Inc.*, 690 F.2d 312, 315 (2d Cir. 1982); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2d Cir. 1979). Fed. R. Civ. P. 52(a) provides, in pertinent part, that "in granting or refusing interlocutory injunctions the court shall . . . set forth the findings of fact and conclusions of law which constitute the grounds of its action." A principal purpose of this requirement is to permit the appellate court to review the decision. *See, e.g., Mayo v. Lakeland Highlands Canning Co.*, 309 U.S. 310, 316 (1940). The district court's statement is sufficient to meet the requirements of Rule 52(a) if it informs the court of appeals of the basis of the decision, thereby permitting appropriate appellate review. *See, e.g., United States v. Vulpis*, 961 F.2d 368, 371 (2d Cir. 1992).

In the present case, the preliminary injunction in question, which was granted on defendants' consent, stated

only that the "defendants" were enjoined "from using the phrase 'Floppy Friends' " in the sale of their products. Memorandum and Order dated July 30, 1998 ("Injunction"). Other than defendant Positive Impressions, Inc., and the two individual defendants alleged to be its officers, none of Greek's customers were defendants in this action or parties to the injunction proceedings. No prohibition was imposed on Greek's customers who were not defendants, and there was no reference whatever in the Injunction to "purchases." *See generally* Fed. R. Civ. P. 65(d) (order granting injunction must describe the acts restrained "in reasonable detail" and "not by reference to . . . other document"). Thereafter, the court was informed that GMA had proceeded to send letters to some 2,350 of Greek's customers stating that "[t]he Court ha[d] issued a preliminary injunction prohibiting any . . . purchase" of items under the trademark Floppy Friends; the letter indicated that the customers themselves were subject to the injunction, and GMA "demand[ed] therefore that you cease and desist any violation of the preliminary injunction and provide us with confirmation that you are in compliance." (GMA letter dated October 16, 1998.) The district court, in vacating the injunction, quoted the text of the letter and found, *inter alia*, that "this letter was false in that plaintiff had no evidence that any of the letter's intended recipients was in 'violation of the preliminary injunction' and in that it misdescribed the temporary injunction by suggesting that it was intended to restrict the activities of the letter's intended recipients." Order Vacating Preliminary Injunction, dated November 19, 1998, at 2. The basis of the vacatur order is clear beyond question and hence is sufficient to permit appellate review. Accordingly, we reject GMA's contention that the district court did not make adequate findings.

Appendix A

As to the merits of the vacatur order, we see no abuse of discretion. The approximately 2,350 recipients of the letter had not been enjoined, and the court's finding that GMA had used the existence of the injunction to misrepresent the nonparties that they were prohibited from — and could be penalized for — making purchases was plainly supported by the text of GMA's letter. Had it been possible to know in advance that GMA would so misrepresent the scope of the injunction, it would have been well within the discretion of the court, in the exercise of its equity powers, to deny GMA's motion for a preliminary injunction even if the court found after an adjudication of the merits of such a motion that GMA had otherwise satisfied all of the prerequisites for such relief. (Here, as indicated above, the court did not fully adjudicate the motion because defendants consented to the preliminary injunction.) We reject as meritless GMA's suggestion that the district court as a court of equity lacks the power to vacate an injunction on the ground that the party in whose favor the injunction was entered has abused the injunction by misrepresenting to nonparties that they themselves have been enjoined and will be subject to sanctions. In the circumstances of this case, it was well within the court's discretion to vacate the preliminary injunction against Greek.

GMA also challenges other orders of the district court regarding the imposition of sanctions on GMA for its abuses with respect to the preliminary injunction. No final judgment having been entered, GMA's challenges to orders other than that vacating the preliminary injunction are premature, and we do not reach them.

Appendix A

We have considered all of GMA's contentions that are properly before us and have found them to be without merit. The order of the district court is affirmed.

FOR THE COURT:
KAREN GREVE MILTON,
Acting Clerk

by: s/ Lucille Carr



APPENDIX B — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK VACATING PRELIMINARY INJUNCTION DATED NOVEMBER 19, 1998

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

98 Civ. 3710 (WK)

GMA ACCESSORIES, INC.,

Plaintiff,

– against –

POSITIVE IMPRESSIONS INC., ET AL

Defendants.

ORDER VACATING PRELIMINARY INJUNCTION

WHITMAN KNAPP, SENIOR DISTRICT JUDGE

WHEREAS a temporary injunction to enjoin all defendants from using plaintiff's trademarked phrase "Floppy Friends" in the sale of their products was not objected to by any defendant, we granted plaintiff's motion for preliminary injunction on July 30, 1998, subject to the exceptions made on the record of oral argument; and

WHEREAS such exceptions made on the record of the oral argument conducted on July 29, 1998 were that defendant ITS ALL GREEK TO ME i/s/a ITS GREEK TO

Appendix B

ME CORP., a/k/a GOOTNICK ENTERPRISES, INC., (hereinafter "GREEK" or "defendant") would redact the trademarked phrase from its existing catalogs by placing a sticker over the phrase and would not include the phrase in any future catalogs, but would be permitted to continue to sell its stuffed beanbag animals under a different name and without any reference to the plaintiff's trademark; and

WHEREAS on October 8, 1998, GREEK supplied to plaintiff a list of all its 4,700 customers pursuant to a stipulated Confidentiality Order dated October 7, 1998, providing, *inter alia*, "Confidential information shall be used in connection with this litigation and may not be used by plaintiff or its agents for any business related purpose at any time"; and

WHEREAS on or about October 16, 1998, plaintiff's attorney mailed to approximately 2350 of Greek's customers a letter saying:

> It has come to our attention that your company has purchased certain bean bag animals from a company known as Its All Greek to Me under the trademark FLOPPY FRIENDS.
>
> We have brought a Federal Action against Its all Greek to Me based on our client GMA Accessories, Inc.'s ownership of the trademark rights to the name FLOPPY FRIENDS. The Court has issued a preliminary injunction prohibiting any sale, marketing, purchase, manufacture, display or offering for sale of any items under

> the trademark FLOPPY FRIENDS or any mark substantially similar thereto. Accordingly, you are hereby placed on notice of the preliminary injunction and we are annexing a copy of the Order to Show Cause that was transformed into a preliminary injunction by the Court on July 31, 1998.
>
> We must demand therefore that you cease and desist any violation of the preliminary injunction and provide us with confirmation that you are in compliance.
>
> . . . We look forward to resolving this matter with your company amicably and can likely avoid joining you as an additional defendant in the case if you cooperate informally.

AND WHEREAS this letter was false in that plaintiff had no evidence that any of the letter's intended recipients was in "violation of the preliminary injunction" and in that it misdescribed the temporary injunction by suggesting that it was intended to restrict the activities of the letter's intended recipients; and

WHEREAS the mailing of that letter was in violation of the stipulated Confidentiality Order;

NOW THEREFORE, the temporary injunction dated July 30, 1998 is VACATED.

Appendix B

SO ORDERED.

Dated: November 19, 1998
New York, New York

s/ Whitman Knapp
WHITMAN KNAPP, SENIOR
U.S.D.J.

APPENDIX C — MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED JULY 30, 1998 AND FILED JULY 31, 1998

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

98 Civ. 3710 (WK)

GMA ACCESSORIES, INC.,

Plaintiff,

– against –

POSITIVE IMPRESSIONS, INC., ITS GREEK TO ME CORP., FLOPPY FRIENDS, JIM MAYFIELD and JOHN FESTA,

Defendants.

WHITMAN KNAPP, SENIOR DISTRICT JUDGE

GMA Accessories, Inc. ("plaintiff") brought this action against defendants Positive Impressions, Inc., It's Greek to Me Corporation, Floppy Friends, Jim Mayfield and John Festa (collectively "defendants") alleging trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1115(b), for use of plaintiff's trademarked phrase "Floppy Friends" in connection with defendants' manufacturer, sale and distribution of soft plush toys. Immediately thereafter, plaintiff made a motion, by order to show cause, for a preliminary injunction pursuant to Rule 65(a) of the Federal Rules of Civil Procedure, enjoining all defendants from using

plaintiff's trademarked phrase in the sale of their products. At oral argument held on Wednesday, July 29, 1998, all defendants indicated that they had no objections to the entry of such an injunction pending resolution of the underlying claims. Accordingly, we grant plaintiff's motion and issue a preliminary injunction enjoining defendants from using the phrase "Floppy Friends" subject to the exceptions made on the record of oral argument.

Also before us is plaintiff's motion, pursuant to Rule 37 of the Federal Rules of Civil Procedure, for sanctions against all defendants for failing to timely respond to plaintiff's discovery requests. Such motion is denied. With respect to plaintiff's requests for discovery, as stated on the record: (1) defendant It's Greek to Me shall respond to plaintiff's Interrogatories and Document Requests within two (2) weeks, and appear for a telephonic deposition within thirty (30) days from the date of oral argument; (2) defendant Positive Impressions shall respond to plaintiff's Interrogatories and Document Requests and appear for a telephonic deposition by August 6, 1998; and (3) defendant Jim Mayfield shall appear for a telephonic deposition within 2 weeks from the date of oral argument. In addition, defendant Positive Impression's time to file an Answer is extended to August 28, 1998.

SO ORDERED.

New York, New York
July 30, 1998

s/ Whitman Knapp
WHITMAN KNAPP, SENIOR
U.S.D.J.

APPENDIX D — ORDER TO SHOW CAUSE OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED JULY 22, 1998

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CIVIL ACTION NO:
98 CIV. 3710 (WK)

GMA ACCESSORIES, INC.,

Plaintiff,

– against –

POSITIVE IMPRESSIONS, INC., ITS GREEK TO ME CORPORATION, FLOPPY FRIENDS, JIM MAYFIELD and JOHN FESTA,

Defendants.

ORDER TO SHOW CAUSE

Upon the Complaint herein, Affirmation of John P. Bostany dated July 20, 1998, the Exhibits annexed thereto and upon the Memorandum submitted in support of this Motion, it is hereby:

ORDERED that defendants shows cause before this Court at Courtroom, United States Courthouse, 500 Pearl Street, New York, New York, on the 29th day of July, 1998 at 10:30 a.m., or as soon thereafter as counsel can be heard,

why a preliminary injunction, pursuant to Rule 65, Fed.R.Civ.P., should not be issued enjoining defendants, their agents, servants, employees, officers, and all persons in active concert and participation with them, pending the final hearing and determination of this action:

(1) From using the "FLOPPY FRIENDS" Trademark as shown on U.S. Trademark Registration No. 1,346,461 of July 2, 1985 (hereinafter "Plaintiff's Registered Trademark") or any marks similar thereto or substantially indistinguishable therefrom in connection with the sale of any unauthorized goods or the rendering of any unauthorized services;

(2) From possessing, receiving, manufacturing, distributing, advertising, promoting, returning, offering for sale or otherwise disposing of in any manner, holding for sale or selling any goods, labels, tags, logos, decals, emblems, signs, and other forms of markings, any packaging, wrappers, pouches, containers and receptacles, and any catalogs, price lists, promotional materials and the like bearing a copy or colorable imitation of Plaintiff's Registered Trademark;

(3) From using any logo, trade name, or trademark which may be calculated to falsely represent or which has the effect of falsely representing that the services or products of defendants are sponsored by, authorized by, or in any way associated with the Plaintiff;

(4) From counterfeiting and infringing Plaintiff's Registered Trademark;

(5) From otherwise unfairly competing with Plaintiff;

(6) From falsely representing themselves as being connected with Plaintiff or sponsored by or associated with Plaintiff;

(7) From using any reproduction, counterfeit, copy, or colorable imitation of Plaintiff's Registered Trademark in connection with the publicity, promotion, sale or advertising of goods sold by defendants including, without limitation, soft plush toys, accessories, T-shirts or clothing bearing a copy or colorable imitation or Plaintiff's Registered Trademark;

(8) From affixing, applying, annexing, or using in connection with the sale of any goods, a false description or representation, including words or other symbols tending to falsely describe or represent such goods as being those of Plaintiff and from offering such goods in commerce;

(9) From using any trademark or trade name in connection with the sale of any goods which may be calculated to falsely represent such goods as being connected with, approved by or sponsored by Plaintiff; and

(10) From destroying, altering, disposing of, concealing, tampering with or in any manner secreting any and all business records, invoices, correspondence, books of account, receipts or other documentations relating or referring in any manner to the manufacture, advertising, receiving, acquisition, importation, purchase, sale or offer for sale, or distribution of any merchandise bearing

counterfeits and infringements of the Plaintiff's Registered Trademark; and it is further subject to defendants' right to access such papers upon presenting the Clerk of this Court with proper identification after the inventory and sequestration authorized herein has been carried out; and it is further

ORDERED, that defendants show cause before this Honorable Court at the same date, place and time why an Order should not be issued finding the defendants in violation of plaintiff's notices of deposition returnable July 13, 1998 and *inter alia* as a sanction under *Fed.R.Civ.P.* 37 precluding defendants from disputing plaintiff's claims on the issues of liability, intentional trademark infringement, dilution and counterfeiting and awarding plaintiff the maximum damages allowable by statute in addition to attorneys fees; and it is further

ORDERED, that pending the hearing and determination of Plaintiff's motion for preliminary injunction, defendants, their agents, servants, employees, officers, and all other persons in active concert or participation with them, be and hereby are, without prior written or oral notice, temporarily restrained and enjoined from in any manner, either directly or indirectly, committing any of the acts set forth above which are sought to be enjoined by Plaintiff and it is further

ORDERED, that pursuant to 15 U.S.C. Section 1116(d)(B) and Rules 30 and 34 of the Federal Rules of Civil Procedure, Plaintiff be given expedited discovery of defendants with respect to the purchase, advertising, marketing, distribution, manufacture, receipt and sale of soft plush toys, accessories,

T-shirts, clothing related merchandise, containers and labels bearing Plaintiff's Registered Trademark including discovery of the source thereof, the creation of such trademarks, the quantity of goods bearing such trademarks ordered, in inventory and sold by defendants, and it is further

ORDERED, that a bond in the amount of $10,000.00, be posted by Plaintiff by July 24, 1998 as security for the payment of such costs and damages as may be incurred or suffered by any party who is subsequently found to be wrongfully enjoined or restrained hereby; and it is further

ORDERED, that personal service or U.S. Post Office Express Mail service of this Temporary Restraining Order, and Order to Show Cause, together with copies of the papers in support thereof, may be made on defendants on or before July 23 1998; and it is further

ORDERED, that answering papers, if any, be personally filed with this Court and personally served upon Plaintiff's counsel, The Bostany Law Firm, at their offices, 100 Maiden Lane, New York, New York 10038 on or before July 28, 1998 at 3:00 p.m.

Defendants are hereby put on notice that failure to attend the show cause hearings scheduled herein may result in the granting of plaintiff's motions with counsel fees and in the immediate issuance of the preliminary injunction, which may be deemed to take effect immediately upon the expiration or dissolution of the temporary restraining order herein, and may extend during the pendency of this suit the same injunctive relief previously granted by the temporary

restraining order. Defendants are hereby further notified that they may be deemed to have actual notice of the issuance and terms of such preliminary injunction, and that any act by them in violation of any of its terms may be considered and prosecuted as contempt of this Court.

The Court has granted the foregoing Temporary Restraining without prior written or oral notice to defendants for the reasons set forth below:

(a) The entry of any order other than temporary restraining order without notice will not serve to adequately achieve the objectives underlying the Trademark Counterfeiting Act of 1984;

(b) Plaintiff has not publicized its proposed order;

(c) Plaintiff has served the United States Attorney for this District, with appropriate notice of its application for a temporary restraining order without notice pursuant to 15 U.S.C. Section 1116(d)(2);

(d) Plaintiff is likely to succeed in showing that defendants have used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(e) Plaintiff will incur immediate and irreparable injury if this Court declines to grant a temporary restraining order without notice;

(f) The matters subject to said temporary restraining order will be located at the premises of defendants;

(h) The harm to Plaintiff should this Court decline to grant Plaintiff's motion for a temporary restraining order without notice outweighs any harm which defendants may incur in the event this Court grants Plaintiff's motion for a temporary restraining order.

s/ Whitman Knapp
U.S.D.J.

Dated: New York, New York
July 22, 1998

ISSUED: 12:15 p.m.

APPENDIX E — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT DENYING PETITION FOR REHEARING DATED AND FILED JULY 20, 1999

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
UNITED STATES COURT HOUSE
40 FOLEY SQUARE
NEW YORK 10007

KAREN GREVE MILTON
ACTING CLERK

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 20th day of July one thousand nine hundred and ninety-nine.

Dkt No.: 98-9558

GMA Accessories, Inc

Appellant

v

Its Greek To Me Corporation

Appellee

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the appellant GMA Accessories, Inc.

Appendix E

Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED.**

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

FOR THE COURT

KAREN GREVE MILTON,
Acting Clerk

By: s/ Beth J. Meador
Beth J. Meador,
Administrative Attorney

APPENDIX F — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED SEPTEMBER 24, 1998

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CIVIL ACTION NO:
98 CIV. 3710 (WK)

GMA ACCESSORIES, INC.,

Plaintiff,

-against-

POSITIVE IMPRESSIONS, INC., ITS GREEK TO ME CORPORATION, FLOPPY FRIENDS, JIM MAYFIELD and JOHN FESTA,

Defendants.

ORDER

WHEREAS, Plaintiff, moved by Order to Show Cause for a preliminary injunction made returnable on July 29, 1998 and providing for a $10,000.00 bond to be posted by the plaintiff; and

WHEREAS, plaintiff posted said $10,000.00 bond by company check in the amount of $10,000.00 paid as indicated in the annexed receipt to the cashier in the Clerk's office of the Southern District of New York; and

Appendix F

WHEREAS, said bond was to insure against damages arising out of the temporary restraining order and preliminary injunction in this case based upon plaintiff's good faith belief that it owned the exclusive rights to the trademark;

WHEREAS, defendants did not oppose the plaintiff's motion and in fact consented to a preliminary injunction agreeing to discontinue use of the mark as set forth in the Order to Show Cause; and

WHEREAS, no further reason exists for the requirement of a bond at this time; and for good cause shown, it is

ORDERED that the Clerk of the Court release the plaintiff's bond and issue a check payable to the order of GMA Accessories, Inc. in the amount of $10,000.00 representing a refund of its funds.

Dated: New York, New York
September 24, 1998

SO ORDERED:

s/ s/
U.S.D.J.